

DEAR MARK,

IN RESPONSE TO YOUR CORRESPONDENCE REGARDING THE PM SUMMER SALES SPECTACULAR, THE TOPIC WAS ADDRESSED AT THE BROOKLYN DIVISION MEETING HELD WEDNESDAY, JUNE 21, 1995.

OUR ACTION PLAN IS TO IMMEDIATELY CALL ON PM MASTERS ACCOUNTS WITH THE INTENT TO ADDRESS PRICE GAP STRATEGY. WHERE PRICE GAP CREATES A DISCOUNT AMOUNT OF 20 CENTS OR MORE, WE ARE DISCOUNTING A WEEK'S SUPPLY OF OUR PRIORITY BRANDS. IF THE PRICE GAP DISCOUNT IS UNDER 20 CENTS, WE TAKE NOTE AND RETURN TO THE CALL NEXT WEEK TO SEE IF PM HAS DISCOUNTED MARLBORO. IF THEY HAVE, WE WILL MATCH. IF NOT, WE WILL ADDRESS PRICE GAP.

WITH THIS STRATEGY, WE ARE IN THE STORES AHEAD OF THEM WITH A DEEPER DISCOUNT WHERE PRICE GAP ALLOWS AND MATCH THEM IN THE STORES WHERE PRICE GAP FALLS SHORT.

AT THE END OF THEIR TWO WEEK PERIOD, WE WILL REVERT TO PRICE GAP IN ALL STORES.

ON ANOTHER TOPIC, REGARDING CO-MARKETING AND THE PERCENTAGE OF MONEYS SPENT ON BASE WINSTON. PLEASE NOTE THAT WE HAVE NOT SPENT A LOT OF OUR CO-MARKETING FUNDS AS OF YET (APPROXIMATELY ONE MONTH OF SIX) AND WE SPENT MOST OF THAT MONEY AGAINST SELECT RED IN AN ATTEMPT TO INCREASE RETAIL INVENTORIES WHILE GETTING A DEEPER DISCOUNT THAN PRICE GAP WOULD ALLOW.

WE WERE SOMEWHAT SUCCESSFUL WITH THIS SPENDING BUT WE WILL NOW BEGIN TO SPEND CO-MARKETING FUNDS AT A 75% RATE ON BASE WINSTON AND AT A MUCH FASTER PACE.

SINCERELY,


LEE

51850 4208